

**REPORT OF THE AUDIT OF THE
JOHNSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JOHNSON COUNTY SHERIFF

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Johnson County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$127,446 from the prior year, resulting in excess fees of \$707,977 as of December 31, 2009. Revenues decreased by \$120,646 from the prior year and expenditures increased by \$6,800.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Roger T. Daniel, Johnson County Judge/Executive
The Honorable William D. Witten, Johnson County Sheriff
Members of the Johnson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Johnson County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2010 on our consideration of the Johnson County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Roger T. Daniel, Johnson County Judge/Executive
The Honorable William D. Witten, Johnson County Sheriff
Members of the Johnson County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Johnson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 15, 2010

JOHNSON COUNTY
WILLIAM D. WITTEN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Grants		\$	12,734
State - Kentucky Law Enforcement Foundation Program Fund			25,721
State Fees For Services:			
Finance and Administration Cabinet	\$	86,669	
Cabinet For Human Resources		2,733	
Sheriff Security Service		14,804	104,206
Circuit Court Clerk:			
Fines and Fees Collected			6,726
Fiscal Court			
Supplement		212,344	
Law Enforcement Protection Program Grant		9,981	222,325
County Clerk - Delinquent Taxes			42,494
Commission On Taxes Collected			270,769
Fees Collected For Services:			
Auto Inspections		4,395	
Accident and Police Reports		890	
Serving Papers		36,477	
Carrying Concealed Deadly Weapon Permits		5,580	
Add On Fees		47,490	
Advertising Fees		3,435	98,267
Other:			
Miscellaneous			13,710
Interest Earned			658
Total Revenues			797,610

The accompanying notes are an integral part of this financial statement.

JOHNSON COUNTY
WILLIAM D. WITTEN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Expenditures

County:

Summons and Subpoenas	\$ 6,725
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Total Expenditures	\$ 6,725
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Net Revenues	790,885
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Less: Statutory Maximum	79,380
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Excess Fees	711,505
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Less: Training Incentive Benefit	3,528
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Excess Fees Due County for 2009	707,977
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Payments to Fiscal Court -Various Dates	707,977
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Balance Due Fiscal Court at Completion of Audit	\$ 0
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JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Johnson County Sheriff is required by the Fiscal Court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts collected for others. Residual funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Fiscal Court pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan, 5 percent will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (the member's age plus years of service credit must equal 87 and the member must be a minimum of 57 year of age) or the member is age 65 with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Johnson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Johnson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Additional Accounts

A. Asset Forfeiture Account

This account consists of funds obtained through federal drug forfeitures and seizures. Funds may be spent only for law enforcement purposes as stated in the Guide to Equitable Sharing. The beginning balance was \$17,995. Total receipts during 2009 were \$12 and consisted of interest earned. The Sheriff expended \$17,367 for allowable law enforcement purposes during the year. As of December 31, 2009, the balance was \$640.

B. Undercover Operations Account

This account consists of funds obtained through local drug forfeitures and seizures. Funds may be spent to conduct undercover drug operations, purchase equipment, or promote drug awareness. The beginning balance was \$2,224. Total receipts during 2009 were \$12,231 which consisted of \$9 in interest and \$12,222 from forfeited cash and the sale of seized assets. The Sheriff expended \$10,565 for allowable expenditures during the year. As of December 31, 2009, the balance was \$3,890.

C. Rewards Account

The Sheriff maintains this account to offer rewards for information leading to the arrest of those that commit criminal acts. The beginning balance was \$2,566. Total receipts during 2009 were \$19 and consisted of interest earned. The Sheriff did not expend any funds during the year. As of December 31, 2009, the balance was \$2,585.

Note 5. Grants

A. Highway Safety Grant

The Sheriff's Office received a Highway Safety Grant in the amount of \$18,000 from the Kentucky Transportation Cabinet. The purpose of the grant was to fund police traffic services. The grant period ran from October 1, 2008 through September 30, 2009. Grant funds received during 2009 totaled \$12,734. The balance of \$5,266 represents grant funds which were not used by September 30, 2009 and are not available for distribution to the Sheriff's Office. Grant funds were expended for their intended purposes.

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 5. Grants (Continued)

B. Law Enforcement Protection Program Grant

The Sheriff's Office received a Law Enforcement Protection Program Grant (formerly known as Body Armor Grant) in the amount of \$9,981 from the Kentucky Office of Homeland Security, passed through the Johnson County Fiscal Court. The purpose of the grant was to fund the purchase of firearms and body armor. Grant funds were expended for their intended purposes.

Note 6. Lease Agreement

On September 27, 2007, the Johnson County Sheriff's Office committed to a lease agreement with Xerox for a copier. The agreement requires monthly payment of \$135 for 60 months to be completed on September 27, 2012. Under the fee pooling system, the fiscal court is making payments on this lease.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Roger T. Daniel, Johnson County Judge/Executive
The Honorable William D. Witten, Johnson County Sheriff
Members of the Johnson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Johnson County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated June 15, 2010. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Johnson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Johnson County Sheriff's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Johnson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 15, 2010

